U.S. DEPARTMENT OF COMMERCE
International Trade Administration
April 2000

OPPORTUNITIES FROM CHINA'S ACCESSION TO THE WTO

New York

The U.S.-China Bilateral Agreement on China's accession to the WTO opens an important market to New York's exports, benefitting key industries and creating export and employment opportunities. The importance of exports to China and the benefits of the Agreement for New York and its key industries are outlined below.

Export Profile

New York's merchandise export sales to China totaled $679 million in 1998, up 3 percent from the $659 million sold to China in 1993.

In 1998, China ranked 17th among New York's export destinations.

New York's exports to China are broadly diversified with almost every major product category registering exports to the Chinese market in 1998. In 11 product sectors, exports from New York to China more than doubled from 1993 to 1998.

Included in New York's export sales to China in 1998 were those from several metropolitan areas: the Greater New York metro area ($485 million); Nassau-Suffolk ($40 million), Rochester ($28 million), and Binghamton ($23 million).

New York metro areas that recorded large percentage increases in export sales to China during 1993–98 included Jamestown (605 percent), Rochester (313 percent), Elmira (150 percent), and Binghamton (113 percent).

Sector Snapshot

U.S. farmers no longer will have to compete with export subsidies on China's agricultural products. Also, China has agreed to eliminate sanitary and phytosanitary barriers that are not based on sound scientific evidence. In addition, exporters will benefit from broadening the right to import and distribute imported products in China and from tariff cuts on a wide range of products including dairy products, hides, wine, vegetables, and apples.

As a result of the Agreement, New York's key export sectors benefit from reduced tariffs in China, strong intellectual property protection and improved trade rules protecting U.S. industries against unfair trade practices and removing burdensome obstacles, including:

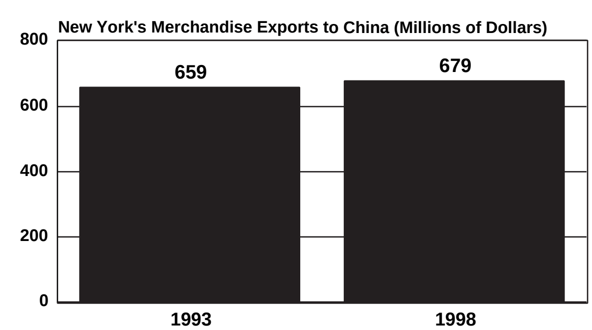
- Tariff elimination for information technology products, including photocopier parts, and furniture. Major tariff reductions for civil aircraft, paper, power generation equipment, scientific and measuring instruments, medical equipment, optical fibers, glass fibers, pumps and compressors, aluminum products, refrigerators, photographic equipment, construction equipment, agricultural equipment, paper and printing machinery, rubber and plastic working machinery, and environmental technology equipment.

- Low tariffs for most chemicals at WTO harmonization rates, including pharmaceuticals.

- Elimination of import restrictions for products such as construction and medical equipment and paper and printing machinery.

The agreement will open the market for a wide range of services, including telecommunications, banking, insurance, financial, professional, hotel, restaurant, tourism, motion pictures, video distribution, software entertainment distribution, periodicals distribution, business, computer, environmental, and distribution and related services.

New York Increased its Exports to China by $20 Million From 1993 to 1998



Source: U.S. Department of Commerce, Exporter Location Series.

Key Industry Benefits

Power Generation Equipment

China will reduce its tariffs on power generation equipment including generators, turbines, boilers, parts of auxiliary plants, motors, transformers, and batteries from an average of 13.4 percent to an average of 8.5 percent by January 1, 2004. If WTO members agree to and adopt the energy sectoral initiative that originated in APEC, China will join this initiative and eliminate its tariffs on these products. Trading and distribution rights for power generation equipment will be phased in over three years. Within four years of its accession into the WTO, China will eliminate its tendering requirements for non-government purchases of power generation equipment. China will not apply or enforce export performance or local content requirements as a condition for importation or investment approval. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign power generation equipment businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax.

Civil Aircraft and Parts

This sector includes civil aircraft and parts listed in Annex I of the Agreement on Civil Aircraft. China will reduce tariffs on all items in the Annex from an average rate of 14.1 percent to an average bound rate of 8.1 percent. Most reductions will be completed by January 1, 2002. At the time of WTO accession, China will eliminate all quotas and licenses for civil aircraft products. Trading and distribution rights for civil aircraft products will be phased in over three years. China has agreed that it will not condition import or investment approvals on technology transfer, or on conducting research and development in China. China has agreed that importation and investment will not be conditioned on providing offsets or local content.

Heating, Ventilating, and Air Conditioning Machinery (HVAC) and Large Appliances

This category includes heaters, ventilators, air conditioners, washers, dryers, refrigerators, and centrifuges. China will reduce its tariffs on HVAC/large appliances from an average of 24.3 percent to an average of 15.2 percent by January 1, 2005. Quotas and licenses on air conditioners will be phased out by 2002 with an initial quota level of $286 million. Quotas and licenses on refrigerators will be phased out by 2001 with an initial quota level of $132 million. Quotas and licenses on washers will be phased out by 2001 with an initial quota level of $7 million. All quota levels will grow 15 percent annually until eliminated. China will eliminate tendering requirements for non-government purchases of washers. Upon accession into the WTO, China will eliminate its tendering requirements for non-government purchases of centrifugal ventilators. Trading and dist ibution ights fo HVAC and la ge appliances will be phased in over three years. China will not apply or enforce export performance or local content requirements as a condition for importation or investment approval. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign HVAC and large appliance businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax.

Information Technology

China will eliminate its duties for all information technology products, as defined by the WTO Information Technology Agreement (ITA), by January 1, 2005. These products include electronics, computers, fiber optic cable, and other telecommunications equipment. The current duties on information technology products average over 13 percent. All quotas on ITA products will be eliminated at the time of China's WTO accession. Within four years of its accession into the WTO, China will eliminate its tendering requirements for non-government purchases of ITA products. Trading and distribution rights for ITA products will be phased in over three years. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign ITA businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax. China has agreed that it will not condition import or investment approvals on technology transfer, or on conducting research and development in China.

Dairy Products

China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

Fruit

Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. Tariff reductions of up to 57 percent are scheduled for citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent, while tariffs on plums, raisins, and grapes will fall f om 40 pe cent to 10–13 pe cent. The ta iff on wine will fall from 65 percent to 20 percent.

Professional Services

China will provide foreign accounting firms with market access and CPA licenses on a national treatment basis. Foreign architectural and engineering firms can establish majority-owned joint ventures or provide cross-border services in cooperation with Chinese professional organizations. Foreign law firms can establish profit-making representative offices to provide advice on international conventions and practices as well as on the law of other WTO members in which the lawyer is licensed. Upon accession, foreign management consulting firms can establish profit-making offices or a joint venture with a majority equity share, and in five years they can establish a wholly owned subsidiary. China has also agreed to grandfather the existing level of market access already in effect at the time of China’s accession for U.S. companies currently operating in China.

Banking Services

Foreign banks will be able to conduct local currency business with Chinese enterprises starting two years after accession and with Chinese individuals from five years after accession. China has committed to full market access in five years for U.S. banks.

Securities and Asset Management

Foreign securities firms may currently only trade in a limited number of stocks designated for foreign investors and then only via shared commissions. Upon accession, China will allow foreign firms to trade these shares with no Chinese intermediary. By three years after accession, foreign entities may establish securities joint ventures (JVs) with a minority equity share for fo eign investo s to unde w ite all sha es and co po ate and government debt, and trade all these securities except those equity shares restricted to Chinese investors. Also upon accession, foreign entities may establish minority JVs to manage assets of all sorts.

Audio-Visual Services

China will allow 20 films to be imported on a revenue-sharing basis in each of the three years after accession. U.S. firms can form joint ventures to distribute videos, software entertainment, and sound recordings and to own and operate cinemas. China has also agreed to grandfather the existing level of market access already in effect at the time of China’s accession for U.S. companies currently operating in China.

Tourism Services, Including Hotel Services

China will allow unrestricted access to the Chinese market for hotel operators, including the ability to set up majority-owned hotels upon accession and 100 percent foreign-owned hotels in three years. China has also agreed to grandfather the existing level of market access already in effect at the time of China’s accession for U.S. companies currently operating in China.

Insurance Services

China will reduce geographic restrictions and quantitative limits for insurance companies and expand the scope of business activities permitted for foreign insurers. China agreed to award licenses solely on the basis of prudential criteria. China has also agreed to grandfather the existing level of market access already in effect at the time of China’s accession for U.S. companies currently operating in China.

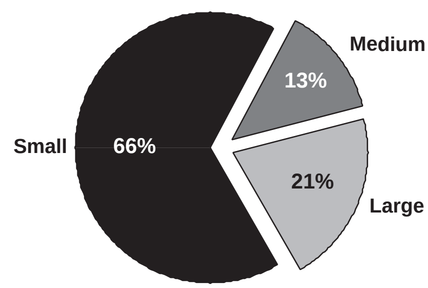
*(**Trade Stories** on page 8)*

ROLE OF SMEs IN EXPORTS TO CHINA

Small and medium-sized enterprises (SMEs) are responsible for a growing share of U.S. exports to China.

- In 1997, SMEs generated 35 percent—more than one-third—of all U.S. merchandise exports to China. This figure is up significantly from a 28 percent share in 1992.
- The 35 percent SME share of the China market in 1997 was higher than the SME share of overall U.S. merchandise exports (31 percent) in that year.
- Nearly 80 percent of all firms exporting from New York to China in 1997 were small or medium-sized enterprises (fewer than 500 employees).

Small & Medium-Sized Companies Account for 79 Percent Of All Firms Exporting From New York to China



954 companies exported merchandise from New York to China in 1997

Definitions: small = fewer than 100 employees; medium = 100–499 employees; large = 500 or more employees. Source: 1997 Exporter Data Base, U.S. Department of Commerce.

Overview of China WTO Accession Benefits to the United States

The Agreement is a one-way deal that will open China's now largely closed market to U.S. exports. By enacting Permanent Normal Trade Relations (PNTR), the United States is merely maintaining the market access policies it already applies to China. If Congress enacts PNTR, the agreement is expected to provide a substantial boost for U.S. exports. If Congress fails to pass PNTR, American companies, workers and farmers will be denied the great bulk of benefits of the agreement the United States already negotiated—including broad new market access for critical services such as telecommunications and distribution, strong import protections, and the right to enforce China's commitments through WTO dispute settlement. Failure to enact PNTR means fewer U.S. exports to China. U.S. competitors in Europe, Asia and elsewhere will gain market share at the expense of U.S. exporters as these countries will enjoy the full benefits of China's market opening WTO commitments.

Deep cuts for tariffs in manufactured products sectors[1] affecting most U.S. exports—averaging an across-the-board 60 percent cut in tariffs for industrial products. Important gains include a 62.5 percent cut in tariffs for pulp, paper and printed material and elimination of tariffs for information technology products including electronics, telecommunications equipment, and computer equipment.

Tariff bindings for every sector. U.S. industries gain greater certainty of access with China's commitment not to raise tariffs on any products above the negotiated ceiling (bound) rates.

Huge reduction in paperwork costs—a boon to smaller exporters. Simplification, harmonization of customs procedures and licensing will slash costs of processing export orders.

Elimination of quotas and non-automatic licenses for all manufactured products by year 2005. Only a handful of quotas will remain after year 2003. While quotas are being phased out, the quota level will be higher than our current export levels and will increase by 15 percent each year until the quota is eliminated.

By joining the WTO, China is committing to establish a tariff-only import regime for **agricultural products;** all non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes, must be applied in a manner that is consistent with WTO rules requiring a transparent and nondiscriminatory system. All health-related restrictions must be based on sound science.

China also committed to implementing **agriculture tariff-rate quotas** (TRQs) on economic rather than political criteria. These commitments are designed to ensure a transparent and consistent system for allocating shares of the TRQ to end users and provisions to ensure that quota-holders are not impeded in utilizing their allocations.

China has committed not to use **export subsidies** for agricultural products when it joins the WTO. This commitment is particularly useful for China's potential exports of corn, rice, and cotton, which in the past have displaced U.S. product from third-country markets.

Bilaterally, China agreed to the terms for removal of scientifically unjustified restrictions on importation of U.S. **wheat and other grains, citrus and meat.**

Foreign exchange balancing requirements—which link a company's level of imports to its level of exports—will be eliminated upon accession. This allows U.S. companies to make market-driven decisions about what to import and export instead of decisions driven by the Chinese government.

Local currency banking will be allowed starting with foreign clients upon accession, followed by Chinese enterprises two years after accession and Chinese individuals five years after accession. Foreign currency business will be allowed without geographic restrictions upon accession. China currently limits foreign banks to foreign currency business in selected cities.

Foreign securities firms may currently only trade in a limited number of stocks designated for foreign investors and then only via shared commissions. Upon accession, China will allow foreign firms to trade these shares with no Chinese intermediary. By three years after accession, foreign entities may establish securities joint ventures (JVs) with a minority equity share for foreign investors to underwrite all shares and corporate and government debt, and trade all these securities except those equity shares restricted to Chinese investors. Also upon accession, foreign entities may establish minority JVs to manage assets of all sorts.

Insurance licenses will be granted on a prudential basis, without numerical restrictions or discretionary economic needs tests. China currently only allows selected foreign companies (including four U.S. companies) to operate in China on a limited basis in only two cities.

Majority equity share for foreign non-life insurance entities will be permitted upon China's accession. Wholly owned subsidiaries will be allowed two years after accession. Life insurance joint ventures will be permitted at 50 percent equity share upon accession.

Easier access to and more control of distribution systems in China allowing U.S. companies to operate commission agents' services, franchising services, wholesaling, retailing and direct sales of their own products in three years post accession for almost all products.

Foreign companies will also be permitted greater control and access to other services related to distribution, including maintenance and repair, rental and leasing, advertising, technical testing and freight inspection, packaging, courier, storage and warehousing, and freight forwarding agency services.

The right to trade (import and export) will be permitted for almost all products within three years of accession. Currently, the right to trade is strictly limited; only companies that receive specific authorization or who import goods to be used in production have such rights.

Telecommunications services are currently not permitted to be supplied by foreigners in China. However, with its accession, China has agreed to allow foreign participation for both value-added and basic services. China has also agreed to undertake all the obligations contained in the WTO Reference Paper on pro-competitive regulatory principles. Telecom services which foreigners can supply under the Agreement include e-mail, voice mail, online information and database retrieval, facsimile, paging, cellular, and internet services via any technology including satellites.

Professional service providers will now be permitted to operate in China and receive national treatment for accounting, auditing, bookkeeping, management consulting, legal, tax consulting, architectural, engineering, and computer services.

The elimination of local content requirements will result in better access for U.S. exports and eliminate unfair incentives or requirements to use domestic goods.

U.S. exports and investments will be free from government-imposed conditions such as technology transfer, research and development in China, and offsets. Upon China's accession, such conditions may only be negotiated between the parties to a contract and not imposed or enforced by the government.

U.S. companies can sell their products in China and not be forced to export a certain percentage back to the United States or elsewhere. This eliminates the non-market incentive to use China as an export platform.

State-owned and state-invested enterprises will be required to buy and sell based on commercial considerations, making the purchase process more market-driven and transparent for U.S. companies and will provide new sales opportunities to U.S. firms.

China has agreed to establish **judicial review** procedures for the prompt review of all administrative actions relating to the implementation of laws, regulations, judicial decisions and administrative rulings related to its WTO obligations. The tribunals will be independent of the agencies entrusted with administrative enforcement.

Greatly improved enforcement of China's commitments through the WTO dispute settlement process. The United States will now have allies in other WTO members to address violations of international trade norms.

Current U.S. practice of using a special, non-market economy methodology when calculating dumping margins in **antidumping investigations** involving imports from China will remain in effect for 15 years. Chinese industries will continue to have the burden of proving to the U.S. government that market economy conditions prevail in their industry to avoid application of this methodology.

China will apply its trade-related laws **uniformly** throughout all of China including land and seaports.

China will be required to apply equally the value-added tax (currently at 17 percent for most products) to domestic goods as well as imports under the WTO **national treatment** provisions.

The United States will have access to a **product-specific safeguard mechanism** for 12 years which will allow the U.S. to address more easily any rapidly increasing Chinese imports in a targeted fashion in cases of actual or threatened market disruption to a U.S. industry.

China has agreed to incorporate into the WTO a **textile-specific safeguard** drawn from the U.S.-China Bilateral Textile Agreement.

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[1]For more information on tariff reductions, see tariff summary table.

ADDITIONAL INFORMATION AND ASSISTANCE

The reports for each of the 50 states are available at www.chinapntr.gov, as well as supplemental information on the benefits of China's membership in the World Trade Organization for U.S. industry and agriculture. Additional information on agricultural products is available from www.fas.usda.gov and speeches and testimony are provided on www.ustr.gov.

For counseling and assistance regarding exporting to China, call the Trade Information Center at 1-800-USA TRAD(E) or the Agriculture FAS Trade Assistance Office at 202-720-7420.

To discuss problems you are experiencing in exporting to China or a Chinese trade barrier you are encountering that is limiting your ability to export, please contact the Commerce Department's Trade Compliance Center. The fastest means to contact the Trade Compliance Center is the internet at http://www.mac.doc.gov/tcc. It can be reached also via e-mail (tcc@ita.doc.gov), fax (202-482-6097), or phone (202-482-1191).

Key Industry Tariff Reductions Resulting from the Agreement

Product Description	Average Base Rate[1]	Average End Rate[2]	Percent Change
Agriculture equipment	11.5	5.7	50.4
Auto parts	23.4	10.0	57.2
Beer	70.0	0	100.0
Building materials	16.4	14.1	14.0
Glass fibers	16.0	7.0	56.2
Chemicals	11.1	6.9	37.8
Cosmetics	29.3	11.9	59.3
Fertilizers	5.0	4.0	20.0
Pharmaceuticals	9.6	4.2	56.2
Soda ash	9.0	5.5	38.8
Civil aircraft	14.7	8.1	44.9
Compressors and pumps	15.5	9.0	41.9
Construction equipment	13.6	6.3	53.7
Distilled spirits	60.8	34.2	44.0
Engines	12.4	7.9	36.2
Environmental technologies equipment	13.4	6.9	48.5
Fish	20.5	11.4	44.3
Food processing machinery	13.5	9.8	27.4
Footwear	25.0	20.8	16.8
Footwear machinery	11.5	8.4	26.9
Furniture	22.0	0	100.0
Heavy machinery	14.5	7.8	46.2
Husbandry machinery	10.3	7.3	29.1
HVAC[3]	24.3	15.2	37.4
Information technology covered under ITA[4]	13.5	0	100.0
Laboratory machinery	12.9	10.2	20.9
Leather	18.7	16.2	13.3
Machinery parts	8.1	4.7	41.9
Medical equipment	9.9	4.4	55.5
Metalworking machinery	15.1	11.4	24.5
Molds	10.2	7.3	28.4
Motorcycles	58.3	41.7	28.5
Motor vehicles	75.9	23.6	68.9
Passenger motor vehicles	84.1	25.0	70.0
Nonferrous metals	9.3	6.6	29.0
Aluminum	14.2	9.4	34.0
Oil and fuel	7.4	4.9	33.7
Paper and printing machinery	14.3	10.8	24.5
Photographic equipment	19.4	14.7	24.2
Power generation equipment including batteries	13.4	8.5	36.6
Precious metals	13.8	11.0	20.0
Prefabricated buildings	22.0	10.0	54.5
Pulp, paper and printed material	14.4	5.4	62.5
Railway equipment	5.7	4.4	22.8
Recorded media	10.0	6.8	32.0
Rubber products	14.5	11.4	21.4
Rubber- and plastic-working machinery	15.7	7.7	50.9
Scientific and measuring equipment	12.1	6.1	49.6
Small household appliances	31.2	24.7	20.8
Special purpose vehicles	17.4	12.4	28.7
Specialized machinery	14.0	8.4	40.0
Steel	10.3	6.1	40.7
Telecommunications equipment not covered under ITA[4]	24.0	17.2	28.3
Optical fibers	13.5	2.5	81.4
Textiles and apparel	27.1	11.7	56.8
Synthetic yarn	18.1	5.0	72.3
Toys	23.0	0	100.0
Trailers	13.8	10.0	27.5
Trucks	31.5	18.5	41.2
Vending machines	23.0	13.6	40.8
Welding machines	14.8	9.8	33.7
Wood	12.5	4.6	63.2

[1]Average 1997–98 applied duties for each product category. Reductions will be made from the 1997–98 base rate for each tariff line. Most cuts will be made in equal annual increments.

[2]Average end rate for each product category which will be attained once China phases in all duty reductions agreed bilaterally with the United States. All reductions will be completed by January 1, 2008, with 70 percent of all reductions on industrial goods achieved by 2003 and 98 percent of all industrial duty reductions by 2005. China's agreements with other countries may result in lower rates and shorter staging.

[3]Includes heaters, ventilators, air conditioners, washers, refrigerators, centrifuges/dryers.

[4]WTO Information Technology Agreement (ITA), implemented in July 1997.

Key Agricultural Tariff Reductions Resulting from the Agreement

Product Description	Base Rate 1997-98[1]	End Rate[2]	Percent Change	Product Description	Base Rate 1997-98[1]	End Rate[2]	Percen Change
Beef	45	12	73.3	Pecans	35	10	71.4
Pork	20	12	40.0	Pistachios	35	10	71.4
Poultry	20	10	50.0	Cheese	50	12	76.0
Oranges	40	12	70.0	Lactose	35	10	71.4
Grapefruit	40	12	70.0	Ice cream	45	19	57.8
Lemons	40	12	70.0	Yogurt	50	10	80.0
Apples	30	10	66.7	Hop cone pellets	30	10	66.7
Cherries	30	10	66.7	Hop extracts	20	10	50.0
Grapes	40	13	67.5	Ginseng	40	10	75.0
Pears	30	10	66.7	Soybean flour	40	15	62.5
Peaches	30	10	66.7	Potatoes: Frozen hash browns	25	13	48.0
Canned peaches	30	10	66.7	Potato flour, meal and flakes	30	15	50.0
Raisins	40	10	75.0	Potato chips	25	15	40.0
Orange/grapefruit juices	35	15	57.1	Yellow grease	40	10	75.0
Celery	13	10	23.1	Soup	45	15	66.7
Lettuce	16	10	37.5	Pet food	30	15	50.0
Cauliflower	13	10	23.1	Wine	65	20	69.2
Broccoli	13	10	23.1	Protein concentrates	45	10	77.8
Frozen mixed vegetables	13	10	23.1	Water-based drinks with sugar	65	20	69.2
Frozen sweet corn	13	10	23.1	Other water-based drinks	50	35	30.0
Tomato paste	25	20	20.0	Cigarettes	65	25	61.5
Tomato ketchup	30	15	50.0	Tobacco	40	10	75.0
Almonds	30	10	66.7				
Hazelnuts	35	10	71.4				

[1]Base rate: 1998 current applied duty from which reductions will be made.

[2]End rate: End rate that will be attained by January 1, 2004, when China finishes phasing in all agricultural duty reductions agreed bilaterally with the United States. China's agreements with other countries may result in lower rates and shorter staging for some products.

Key Agricultural Tariff Rate Quotas (TRQ)

Product Description	Initial TRQ (million metric tons)	2004 TRQ (million metric tons)	Private Share (percent)	1999 Chinese Impor s[3] (metric tons)
Wheat	7.3	9.6	10	448,000
Corn	4.5	7.2	25 growing to 40	70,000
Rice				168,000
Short/medium grain	1.3	2.6	50	
Long grain	1.3	2.6	10	
Cotton	0.743	0.9	67	46,000
Soybean oil[4]	1.71	3.2	50 growing to 90	804,000

[3]Import data from China Customs Administration, on a calendar year basis.

[4]TRQ quantity and private share will be phased in by 2005. On January 1, 2006, China will eliminate the TRQ and state trading for soybean oil, with nothing but a 9 percent duty remaining.

Trade Stories

Chemical & Alloy Inc. (New York) is a small distributor that has exported successfully to China industrial chemicals and specialized plastic bags for handling chemicals. Chemical & Alloy estimates that it sold $50,000 to $100,000 worth of goods to China last year, representing a small but recurring part of the company's yearly revenue.

Kodak (Rochester) expects significant benefits to its businesses as China enters the WTO because China has become its largest market in recent years. Chris Padilla, Kodak's director for international trade relations, believes that WTO membership will provide long-term commercial stability as Kodak continues to expand in China. For instance, under China's WTO Accession Agreement, China will cut its tariffs on chemical imports by more than 60 percent, resulting in a substantial revenue savings to Kodak over the next five years. Furthermore, China will allow overseas companies to provide after-sales service under the new rules, which will benefit Kodak's sales of advanced dry-image X-ray equipment. Finally, a future area for Kodak's growth is the Internet, as Kodak's Digital Services will be able to operate in China under this newly opened high-tech sector.

Setton International Foods (Commack) is a medium-sized family-owned business. In the 1999 crop year, Setton International Foods shipped 3.7 million pounds of pistachios to Hong Kong, of which three-fourths was eventually sold to China. Setton International Foods envisions unlimited prospects for growth in the Chinese market if trade barriers are lifted so that the company can sell directly into the Chinese market. Setton International Foods would have increased marketing opportunities in China for its pistachios resulting from China's agreement under the WTO accession agreement to reduce tariffs on pistachios by more than 71 percent.

Harper International Corp. (Lancaster) custom designs and fabricates capital equipment that improves the efficiency of production by either adding to the value or quality of the product or reducing the cost of production. Fifty percent of Harper's business is derived from export sales, and the company reports that it has recently doubled its growing sales to China from $1 million to $2 million per year. Harper International foresees strong growth prospects for its company in China for at least the next three years because China's entrance into the WTO will encourage Chinese companies to find ways to become more efficient.

DDC Publishing (New York) is a small publishing company in New York City with yearly revenues of $16 million. Although DDC does most of its business domestically, it has had a few small orders from Chinese companies to publish a series of educational books on computer and information technology. DDC would be interested in doing more business in China, provided that communication and trade between the two countries improves.